BARRIERS TO EFFECTIVE GOVERNMENT-INDUSTRY & GOVERNMENT-UNIVERSITY PARTNERSHIPS

FREDRIC L. SINDER
AFMC LO/JAZ
Intellectual Property Law Directorate
(937) 255-2872
E-MAIL
Fredric.Sinder@wpafb.af.mil

GOVERNMENT-INDUSTRY

Company Size and Decision Makers

- Difficult to Enter into CRADAs with Large Companies
  - But, They Have the Most Money
- Easier to Enter into CRADAs with Small Companies
  - But, They Don’t Have Much Money

Company Size and Decision Makers, Cont.
Large Companies

- Bench Level Worker Excited about Government Technology
  - But, They Are Not Financial Decision Makers
- Management Wary of Doing Business with Government
  - Only Works When Bench Level Worker Pushes Long and Hard

Company Size and Decision Makers, Cont. Small Companies

- Bench Level Worker Excited about Government Technology
- Bench Level Worker Also Financial Decision Maker
  - But, They Don't Have Much Money

Company Size and Decision Makers, Cont.
Large Companies

- Don't Want to Share Intellectual Property Rights
- Want Government Reward to be Payment for Work, and That's It
  - And, They Want It at Low Cost
- In Fairness, This Is Same Deal They Expect with Private R&D Companies

Company Size and Decision Makers, Cont.
Large Companies

- Industry Concerned They Will Have to Follow Complex Government Accounting Rules and Face Audits by Defense Contract Audit Agency (DCAA)
- CRADAs, Cooperative Agreements, Grants, Educational Partnerships, Etc., Are Not Governed by the Federal Acquisition Regulations (FAR)

Company Size and Decision Makers, Cont.
Large Companies

- Grants and Other "Assistance" Agreements (as opposed to "Contracts") Are Generally Governed by DoD Grants and Agreements Regulations (DoDGARs)
- DoDGARs Require Only Generally Accepted Accounting Principals (GAAP) and May Require Audits by Independent Auditors for Awardees Receiving >$300,000 in One Year

Government Subcontractor Problem

- Government Contractors Have Right to Elect to Retain Title to Inventions Made by Their Employees
- Government Then Cannot Grant Exclusive License to CRADA Partners
- Air Force Attempting to Amend FAR to Change Rules for Work Done under CRADA

Trustworthiness of Government to Keep Trade Secrets Secret

- Industry Concerned that Government Will Not Protect Industry Trade Secrets or “Trade Secret” Information Developed Under Agreement
- Government Actually Goes to Great Lengths to Protect Industry Trade Secrets
- Under a CRADA, Information Developed Under Agreement May Be Exempt from FOIA for Up to Five Years

Trustworthiness of Government to Keep Trade Secrets Secret, Cont.

- In Special Circumstances, Industry is Concerned About Government Desire to Publish Results
- Problem is No Worse Than Working with Universities
  - Publishing Pressure is Actually Less in Government and There Are A Variety of Means for Limiting Distribution

Indemnification Problem

- Government CRADAs May Require Industry Collaborator to Indemnify Government for All Risks
- Industry Often Views This as Unreasonable
- Some Modification Possible, Particularly Insurance Certifications and Making Government a Named-Insured Under Company Policy

Domestic Manufacture Requirement Problem

- Stevenson-Wydler Requires Government Agencies to Give Preference to Business Units Located In the United States Which Agree that Products Embodying Inventions Made Under A CRADA be Manufactured Substantially in the United States

Dispute Resolution Problems

- Dispute Resolution Clauses Are Often Felt by Industry and Universities to Overly Favor Government
- Government Officials Are Sensitive to Contract Provisions That May Give Authority to a Nongovernment Person Over Government Activities

Cherry Picking

- Industry Wants Government to Fund the R&D for Potentially Less Valuable Technologies
- Industry Wants to Fund R&D for the Potentially More Valuable Technologies and Not Give an Non-Exclusive License to Government

Cherry Picking, Cont.

- Issue is What is Fair Apportionment of Intellectual Property Rights

Not Invented Here

- Often Problem is Not Resistance to Outside Inventions, But Feeling, Usually on Management Level, That Company Hasn't Even Had Time and Resources to Fully Exploit its Own Inventions

GOVERNMENT-UNIVERSITIES

Inventorship and Ownership

- Air Force Graduate Student Working on University Research Projects Makes Invention
- Under Bayh-Dole, University Wants to Pay Share of Any Royalties Directly to Air Force Inventor
- Under U.S. Law, Government Employee May Not Receive Compensation From Any Other Source

Inventorship and Ownership, Cont.

- Government Agency May Take Patent Assignment from Its Employee
- Then Take Royalty Share from University
- Then Pay 20% to Employee under Stevenson-Wydler

Intergovernment Personnel Act Agreements

- Provide for States to Employ Federal Employees and Vice-Versa
- Rarely Include Provisions for Who Has Right of Assignment from Employee for Intellectual Property
- Can and Should Include Such A Provision

Royalty Sharing

- Universities Believe Government Wants too Large a Share for Having Government Employee Co-Inventor
- Government Labs Need All the Money They Can Get
  - If There Is a Royalty Pie, We Should Have a Piece of It

Royalty Sharing, Cont.

- If Government Will Own Part of Patent, Then University Wants Government to Pay Part of Patenting Costs
- Government Does Not Want a Free Ride, But Often Has Legal Difficulties in Sharing Patenting Costs
- Government Can Agree in Assignment or Exclusive License to University that Share of Patenting Costs Are Credited Against Royalties